

DECLASSIFIED
OFFICIAL USE ONLY

AFS: E.A. PADBERG, JR.
(39)

DEPARTMENT OF STATE
MEMORANDUM OF CONVERSATION

845j.2614/5-2758

YR 033.45j11
811.05145j

DATE: May 27, 1958

SUBJECT: Volta River Project - U. S. Position to be Taken in the Secretary's Talks with Prime Minister Nkrumah.

PARTICIPANTS:

Department of State

Mr. C. Vaughan Ferguson, Jr. & AFS
Mr. George D. LaMont, AFS
Mr. George Dolgin, AF
Mr. William R. Duggan, AFS
Mr. Thomas Favell, ED
Mr. David Longanecker, AFS
Mr. Eugene L. Padberg, Jr., AFS

ICA

Mr. Carl Flesher, DD/S
Mr. Abbot Low Moffat,

Mission Director, Ghana
Mr. Hyde C. Buller, CDC/AFR

REVIEWED BY 2 Miss Mary Painter,
Ghana Desk Officer

AFS
RDS ☐ or XDS ☐ EXT. DATE

TS AUTH. REASON(S)

ENDORSE EXISTING MARKINGS ☐

DECLASSIFIED ☐ RELEASABLE ☒

RELEASE DENIED ☐

PA or FOI EXEMPTIONS

JUN 6 - 1958

COPIES TO:

ALL PARTICIPANTS

S - Mr. Julius C. Holmes
AF - 2 (cc)
W - Mr. Whitehouse
R - Mr. Robinson

16
ARC - 2

AFS - 6 (lcc) (Mr. Longanecker)
American Embassy, ACCRA
American Embassy, LONDON

The meeting was called by Mr. Duggan for the purpose of discussing and clarifying the United States position to be taken by the Secretary in his talks with Prime Minister Nkrumah.

Mr. Duggan opened the meeting by stating that the position of the United States on the Volta Project must be established by July 4 as the position paper must be in the Secretary's office about two weeks prior to Nkrumah's arrival in Washington on July 23.

Mr. Duggan reviewed the history of the Project; its present estimated cost of around \$900 million, based on the 1956 published report plus a 45% increase for further inflation (In this connection Mr. Flesher subsequently pointed out that as indicated in the Commission's report only about half or \$450 million is believed essential for the basic production of aluminum and most of the remainder is for other possible investments and for the general benefit of the country regardless of the decision on the Volta Project. Therefore, he believed, much of the latter might be more easily financed by Ghana after the basic productive facilities commence operation.); Nkrumah's letter of November 12, 1957, to President Eisenhower asking for U.S. help in raising capital for the Project or "help in getting the Project off the ground"; the President's letter of reply and the oral statement which Ambassador Flake and Mr. Moffat had been authorized to make at the time of the letter's presentation to

the effect.

DECLASSIFIED

FILED
1958

OFFICIAL USE ONLY

- 2 -

the effect that the United States was willing to serve as a "catalyst" for the Project and ICA would be the "catalytic agent"; and the fact that the Project has become extremely important politically to the Prime Minister and his Government.

Mr. Duggan, for purposes of arousing discussion, proposed two possible positions for the group's consideration:

1. That we indicate: (a) our readiness to assist Ghana with a specific sum from U.S. Government source; and (b) our willingness to continue our efforts to interest possible American aluminum industry participants in the Project.

2. That we seek to disengage ourselves from the role of "catalyst" in this Project by indicating to the Prime Minister our lack of success in obtaining clear-cut interest on the part of American investors and at the same time stress again Ghana's primary responsibility for development of the realization of the scheme.

Mr. Flesher then summarized the steps taken by ICA to interest American capital and the current status of these efforts:

1. Kaiser and Reynolds, he said, are the only two American companies that have expressed any interest in the Project, and of the two Kaiser is the more interested. Kaiser's interest is in mining the bauxite and in erecting a smelter. It is not interested in participating in financing the costs of the dam and power facilities, and it would prefer to purchase its power requirements. In addition, he stated, Kaiser Engineering would be interested in obtaining the entire engineering and construction contract for the Project.

2. Mr. Flesher said he was convinced that the only way to get the Project started was to break it up and to get the dam and power facilities underway first. This, he said, would be possible if Ghana would agree to invest a substantial sum, \$75 million or more, in the construction of the dam, power plant and transmission facilities. This would provide a substantial basis for interesting other sources in financing the remaining amount required for this part of the Project. In this connection, Mr. Flesher said he discussed the financing of the dam and hydro-electric component of the Project with the IBRD and Eximbank. IBRD's reply was that it could not tell him anything until something specific was presented. Mr. Brand of the Eximbank, however, was much more positive, in that the Directors after discussing the matter had indicated that, although they could give no definite opinion, they would be willing to look at anything presented. Both banks, he said, are always willing to look at self-liquidating projects, such as the hydro-electric component of the Volta Project.

3. Mr. Flesher stated that on May 26 he had seen Sir Robert Jackson, Chairman of the Ghana Development Commission, and that Sir Robert had agreed that if the Volta Project is to get started, it would be necessary for Ghana to contribute a sizeable amount of its development funds towards the construction of the dam and power facilities. Sir Robert, he said, had indicated that he was prepared to press this position with the Prime Minister. Subsequent to the meeting, a detailed

summary

DECLASSIFIED

OFFICIAL USE ONLY

- 3 -

summary of the major conclusions reached in this discussion with Sir Robert Jackson was prepared by ICA and is attached as Appendix A.

4. In this connection, Mr. Moffat mentioned that when he had had occasion to discuss the Volta Project with Sir Robert during the 4-day African seminar last week at the Greenbrier Hotel, Sir Robert had indicated he thought Ghana could invest \$75 to \$80 million in the dam and power facilities. Sir Robert, he said, told him that both he and Gbedemah have stressed and will continue to point out to Nkrumah that nothing is going to happen on the Volta Project for some time in view of the recession in the United States and the consequent contraction of new investments by United States companies. He added, it has been impossible to convince Nkrumah of this, as he doesn't understand the word "recession" when Ghana's cocoa prices are rising. Nevertheless, Sir Robert stated it was his belief that if the United States can assure Nkrumah we are actively exploring the Volta Project and will continue to do so, this is all the commitment Nkrumah will want from us during his visit. In summation, according to Mr. Moffat, Sir Robert indicated that he is attempting "to keep the lid on" Ghana's expectations re Volta.

In the discussion that followed and in light of Sir Robert's statements as reported by Mr. Flesher and Mr. Moffat, it was the consensus of opinion that, in view of Kaiser's expressed interest in the Project and recognition of the fact that Kaiser could not make a decision to participate in the Project until the data in the 1956 study are brought up to date to determine the Project's feasibility, and present cost, the United States' position might be:

1. That we do not disengage the United States from its role of "catalyst" at this time.
2. That we inform Nkrumah of the results of ICA's efforts to date to interest American firms in the Project.
3. That Nkrumah be informed of the ICA's point of view of the need for breaking up the Project if it is to get started and the need for Ghana to invest a sizeable amount in the financing of the dam and power installation before Kaiser or any other company would be willing to make a definite commitment.
4. That if Ghana should agree to 3 above, an up-dating of the data in the 1956 Volta Commission's report is necessary to determine whether the production of aluminum in Ghana is still economically feasible.
5. That financing of the new survey to up-date the data will be Ghana's responsibility to arrange since Kaiser appears unwilling to do so.
6. That, as an expression of our continuing interest in Ghana and the Volta River Project, the United States Government offer through ICA to share the costs of the survey with Ghana.

(Regarding the cost of this survey it was the best estimate of those present that it should run between \$100 and \$200 thousand. ICA indicated its share of the costs of the survey could be made available from Fiscal Year 1959 funds.

With

DECLASSIFIED

OFFICIAL USE ONLY

- 4 -

With reference to the above, Mr. Favell stated that he felt that United States funds should not be used for a survey which Kaiser, if it is really interested, should pay for itself. Further, that since Kaiser is the only United States company involved at this stage, the United States would be laying itself open to criticism. Mr. Fleisher responded by stating that if the report were partially paid for by ICA the report would be published and become a public document which would be available to any interested firm. Further, that there could be no assurance that other firms would not want to make their own surveys rather than base their decisions on a survey made by Kaiser. In this connection, Mr. Fleisher pointed out that a survey in the United States, because of known cost factors, costs much less than a similar survey abroad; that Members of the Board of a U.S. firm in giving consideration to a foreign venture become cautious because of the unknown cost factors and tend to reject a survey on which they are to commit their company to spending large sums unless they have personal confidence in the firm responsible for the survey. Mr. Fleisher stated that he felt, and ICA's General Counsel agreed with him, that there would be nothing illegal in the United States charging whatever it might decide to pay towards the survey to pre-development of the Volta Project in view of our assumed role as "catalyst". Mr. Ferguson remarked that in any event a decision regarding ICA's sharing the costs of the survey could not be made at this meeting since it must be reviewed elsewhere in the Department.

7. That Nkrumah be informed that appropriate agencies of the United States Government would be prepared to consider the granting of a loan to help finance the cost of the dam and power installation when Ghana is in a position to show the United States that it has most of the funds in hand necessary for financing the dam and power component of the Project and definite commitments from one or more qualified aluminum companies covering the necessary private sector investments.

The meeting was concluded with Mr. Fleisher stating that he would continue to keep in touch with Kaiser for the purpose of determining the basis on which it would be willing to negotiate with the Ghanaians for the purchase of power. Once this indication is received, he stated, the onus will be on the Ghanaians to determine:

1. Whether they are willing to put up sufficient funds for the construction of the dam and power facilities, so that other sources such as the UK, the IBRD, Eximbank and DLF might agree to assist in this financing.

2. A price formula under which it would sell power to aluminum producers.

Attachment: *att n*

Appendix A, Summary of
Conclusions of ICA Meeting
with Sir Robert Jackson on
Volta River Project.

ELP
AF:AFS:ELP:adberg:pd
6-4-58

DECLASSIFIED

OFFICIAL USE ONLY

APPENDIX A

Summary of Conclusions of ICA Meeting with Sir Robert Jackson on Volta River Project
May 26, 1958

Flesher and Jackson appeared to be agreed on the following:

1. Kaiser should first indicate whether, in principle, it would be willing after studying the dam and power situation to agree to pay a rate for power, if the studies indicate this would be economical, that would finance construction costs (including interest on capital investment at a realistic rate) maintenance and operating charges, depreciation over 40 years, and - for political reasons - yield a tiny margin of profit; provided it could control both design and construction of the dam and power facilities so as to ensure lowest possible capital cost (hence lowest power rates.)

2. If Kaiser accepts this principle above, then the ball is tossed to Ghana Government to:

a) agree that the mining of bauxite and its conversion to aluminum should be privately owned and operated by a foreign concern (perhaps with some private Ghanaian participation.

b) to arrange the financing of the dam and power facilities.

3. In connection with Point 2b, Flesher thought Ghana might have to invest nearly half the capital in order to attract the remaining capital needed (pointing out, however, that this would be a good investment under the principle agreed upon earning a fixed return which would make revenues available for other activities or make easily possible the financing of the ancillary projects.) Sir Robert agreed on the need for substantial Ghanaian investment. He thought perhaps 1/3 (or about £25 million) should be loaned to the Volta Authority each by Ghana, UK, and the IBRD.

4. If the principles set forth in 1 and 2 are agreed, then, in order to determine the actual facts on which to make a final decision, the Commission's study should be up-dated by engineers whose judgment would be accepted by Kaiser (and possibly also by Reynolds). Kaiser is unwilling to incur the costs of such study at this time.

5. It was mutually agreed by Flesher and Jackson that the financing of the ancillary projects (which the up-dating might modify from those proposed in the original plan) would follow easily and naturally if the major projects were in fact undertaken. It was suggested by Flesher and Moffat that DLF might well be a source for the financing of some of these ancillary projects.

DECLASSIFIED